

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 SS-15 L-03 H-03 NSC-10 SPC-03

PA-03 PRS-01 USIA-15 CIAE-00 INR-10 NSAE-00 RSC-01

EB-11 COME-00 STR-08 OMB-01 FCSC-01 TRSE-00 INT-08

SCS-03 SCA-01 DRC-01 /124 W
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P 021543Z OCT 73

FM AMEMBASSY PRAGUE

TO SECSTATE WASHDC PRIORITY 5204

C O N F I D E N T I A L PRAGUE 2354

E.O. 11652: GDS

TAGS: PFOR, EFIN, L/C, CZ

SUBJECT: CLAIMS NEGOTIATIONS--SESSION 9

REF: PRAGUE 2311

1. BEGIN SUMMARY. CZECHS REJECTED FIVE-YEAR ANNUAL INSTALLMENT PAYMENT OF LUMP-SUM SETTLEMENT AND PROPOSED PAYMENTS COMPUTED ON BASIS OF FOUR TO FIVE PERCENT OF ANNUAL CZECH EXPORTS TO US FOLLOWING MFN. WE SAID THAT ANY PAYMENT ARRANGEMENT MUST HAVE FIXED MINIMUM AND THAT PAYMENTS COULD NOT BE TIED DIRECTLY TO MFN. END SUMMARY.

2. AT NINTH SESSION, WHICH WAS POSTPONED FOR EXTRANEIOUS REASONS UNTIL OCTOBER 2, CHAIRMAN OF CZECHOSLOVAK DELEGATION (ZANTOVSKY) PROPOSED THAT DELEGATIONS CONTINUE DISCUSSION OF OTHER PARTS OF SETTLEMENT AGREEMENT, AS FOLLOWS: (A) TERMS OF PAYMENT; (B) INTERCONNECTION BETWEEN MFN AND SETTLEMENT; (C) PROSPECTS FOR DEVELOPMENT OF BILATERAL TRADE; (D) PAYMENT OF SURPLUS PROPERTY DEBT; AND (E) SETTLEMENT OF CZECHOSLOVAK ACCOUNTS BLOCKED IN US. HE NOTED THAT TERMS FOR PAYMENT PROPOSED BY US WERE WORSE THAN THOSE MADE IN 1967 AND THAT COMPARED WITH SETTLEMENTS WHICH US HAD MADE WITH OTHER COUNTRIES, FIVE YEARS MADE SENSE ONLY IF
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SETTLEMENT FIGURE WERE \$5 MILLION. HE THEN SAID THAT CZECHS

WOULD BE WILLING TO MAKE ANNUAL INSTALLMENT PAYMENTS AFTER RECEIVING MFN EQUIVALENT TO FOUR TO FIVE PERCENT OF ANNUAL CZECH EXPORTS TO US. US DELEGATION SAID THAT PROVISION OF THIS SORT COULD BE ACCEPTABLE TO US IF AGREEMENT PROVIDED FOR ACCEPTABLE GUARANTEED ANNUAL PAYMENTS.

3. CONCERNING MFN AND TRADE, CZECHS SAID THEY REALIZED THAT US CONSIDERED SETTLEMENT OF CLAIMS TO BE PRECONDITION TO EXPANSION OF US-CZECHOSLOVAK TRADE BUT THAT THEY WANTED SOME SORT OF GUARANTEE THAT WHEN THEY AGREED TO PAY THAT TRADE DISCRIMINATION WOULD BE REMOVED. CHARGE REITERATED US POSITION THAT AGREEMENT MUST BE INDEPENDENT AND NOT SUBJECT TO CONDITIONS OUTSIDE EXECUTIVE BRANCH'S DIRECT CONTROL. ON SUBJECT OF VISIT BY DEPUTY MINISTER PETER, CHARGE SAID HE WAS NOT YET PREPARED TO MAKE SPECIFIC REPLY.

4. REMAINDER OF SESSION TAKEN UP WITH BOTH SIDES RESTATING POSITIONS ON ZIVNOSTENSKA/AUGSTEIN CASE IN GREATER DETAIL AND WITH NO GREATER EFFECT AND CZECHS PLAYING ANOTHER VARIATION ON THEME OF EXAGGERATED US CLAIMS.

5. NEXT MEETING SCHEDULED FOR OCTOBER 3 AT 10 A.M.
WORTZEL

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NNN

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